



## TFSA Market Crash: How to Recover in 2020 if You Lost Money

### Description

The Tax-Free Savings Account (TFSA) is finally beginning to get the recognition it deserves. This account type is a crucial wealth-building tool. Perhaps the best thing about a TFSA is its tax-free status. Any capital gains your investments make or dividends on your investments held in a TFSA are tax-free as long as they are stored in the account. Even withdrawals don't incur taxes.

The best way to earn substantial wealth using your TFSA is to hold high-quality, dividend-paying stocks and reinvest any dividends you earn to capitalize on compounding. Holding on to high-quality, dividend-paying investments and unlocking the power of compounding in a tax-free environment essentially lets you build your wealth rapidly.

The COVID-19 pandemic is bringing the economy to a grinding halt, and investors are losing significant capital. You must be wondering about what you can do to recover from the losses to your TFSA due to the ongoing market correction.

### Hold on for dear life

I want to tell you that there is a way to make a quick recovery from losses to your TFSA, but that is not how it works. When you bought the shares and stored them in your TFSA, you did not know how bad the decline would be in 2020. With things going so bad for the TSX right now, there is a possibility that the market correction might have eaten into your initial investment.

Remember that once you lose the contribution room in your TFSA, you cannot get it back. The ongoing market shutdown could further [deepen losses for investors](#) across the board. If you have stored high-risk assets in your TFSA, there is little else you can do other than consider waiting it out.

### Look for opportunities

The market crash triggered by the novel coronavirus outbreak has devastated markets and economies all around the world. Where it is leading to significant losses for investors across the board, it is also

creating opportunities for those who can see them.

With assets across the TSX declining to attractive valuations, you have the chance to invest in high-quality, dividend-paying stocks at a bargain. By holding high-quality, income-generating assets in your TFSA, you can capitalize on any capital gains and dividends to grow your wealth over time.

**Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) could be one such stock to consider. The stock fell by almost 25% between February 6, 2020, and March 16, 2020. The stock has remained volatile since the beginning of the coronavirus-fueled market correction. It is trading for \$113.01 per share at writing, and it is up by almost 18% from its year to date low on March 16, 2020.

Down just 5.17% from its value at the start of 2020, CNR is still faring better than most stocks trading on the TSX. It has a beta of 0.65, which means it is considerably less volatile compared to the broader market. The company has solid fundamentals, and it holds a dominant place in the railway industry.

The demand for railway services cannot go down, since it is the only way of transporting freight in bulk in an economically efficient way. Its railway infrastructure is critical to economic activity across continental North America.

CNR has a wide economic moat, it does not have a significant competition to worry about, and its earnings are virtually guaranteed due to the nature of its services. I think it could be an ideal investment to build wealth over the long run.

## Foolish takeaway

I think investing in high-quality [dividend-paying stocks that are risk averse](#), even in challenging economic environments, is ideal for your TFSA. If you are incurring losses in your TFSA due to the current economic crisis, I would suggest considering holding on to the shares because you cannot recover any lost contribution room in your TFSA.

If you have not maxed out the contribution room in your TFSA, I would suggest using the opportunity to consider investing in high-quality stocks at a bargain. CNR is one such stock that you can take a closer look at.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)

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